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UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA

IN RE: CASE No. 10-11533  
NAVJOT, LLC, CHAPTER 11

Debtor. / DISCLOSURE STATEMENT

I

A. INTRODUCTION.

Navjot, LLC, hereafter referred to as "Debtor" submits this Disclosure Statement to all of its known creditors and interest holders entitled to same pursuant to section 1125 of the United States Bankruptcy Code 11 U.S.C. Section 101, et seq. ("the bankruptcy code"). The purpose of this Disclosure Statement is to provide creditors of the debtor with such information as may be deemed material, important and necessary in order to make a reasonably informed decision in exercising the right to vote on the Debtor's Chapter 11 Plan(the "Plan") described below. The Debtor's Chapter 11 Plan has been filed with this Court.

NO REPRESENTATIONS CONCERNING THE DEBTOR (INCLUDING THE VALUE OF ASSETS, ANY PROPERTY AND CREDITORS CLAIMS)INCONSISTENT WITH ANYTHING CONTAINED HEREIN HAVE BEEN AUTHORIZED. Except as otherwise expressly stated, the portions of this Disclosure

1 Statement describing the Debtor and the Plan have been prepared  
2 from information obtained from the Debtor.

3 Under the Plan, Secured claims, to the extent allowed as  
4 secured claims pursuant to 11 U.S.C. Section 506, and to the extent  
5 of the validity of the security interest is determined by the Court  
6 and not otherwise avoidable will be paid in full, or, otherwise,  
7 shall retain the real property collateral in full satisfaction of  
8 said allowed claim. Unsecured claims shall be paid the aggregate  
9 sum of \$147,000.00, in 18 quarterly installments.

10 A Chapter 7 liquidation could take up to three years before  
11 distribution is made, if any, and additional Administrative  
12 expenses would be incurred. Tax consequences of liquidation,  
13 expenses of sale, professional fees and trustee's fees are  
14 administrative expenses in a Chapter 7 liquidation are paid before  
15 prepetition claims are paid. Administrative expenses of Chapter 11  
16 are also paid prior to payment of prepetition claims. Liquidation  
17 of development property is simply not practical or feasible at the  
18 current time. Debtor estimates that the percentage which would be  
19 available to unsecured creditors upon liquidation of the assets in  
20 a Chapter 7 case is 11%. The estimate is based upon Debtor's  
21 analysis of liquidation which is set forth in Exhibit A hereto.

22 B. FILING OF REORGANIZATION CASE.

23 On April 27, 2010, the Debtor filed its petition pursuant to  
24 Chapter 11 of the Bankruptcy Code. Since that time the Debtor has  
25 remained in possession of the property as debtor in possession.

26 C. MANNER OF VOTING.

27 All creditors entitled to vote on the Plan may cast their  
28 votes for or against the Plan by completing, dating, signing and

1 causing the Ballot Form accompanying this Disclosure Statement to  
2 be sent to the Debtor's counsel prior to the date set by the Court  
3 for the filing of such ballots.

4 D. CONFIRMATION OF THE PLAN.

5 1. Solicitation of Acceptance.

6 This Disclosure Statement has been approved by the Bankruptcy  
7 Court in accordance with section 1125 of the bankruptcy code and is  
8 provided to each creditor whose claim has been scheduled by the  
9 Debtor or who has filed a Proof of Claim against the Debtor and to  
10 each interest holder of record as of the date of approval of this  
11 Disclosure Statement. The Disclosure Statement is intended to  
12 assist creditors and interest holders in evaluating the Plan and in  
13 determining whether to accept the Plan. Under the bankruptcy code,  
14 acceptance of the Plan may not be solicited unless a copy of this  
15 Disclosure Statement is received prior to or concurrently with such  
16 solicitation.

17 2. Persons Entitled to Vote on Plan.

18 Only the votes of Classes of claimants and interest holders  
19 which are impaired by the Plan are counted in connection with  
20 confirmation of the Plan. Generally and subject to the specific  
21 provisions of bankruptcy code section 1124, this includes creditors  
22 who, under the Plan, will receive less than payment in full of  
23 their creditor's claims.

24 In determining acceptance of the Plan, votes will only be  
25 counted if submitted by a creditor whose claim is duly scheduled by  
26 the debtor, as undisputed, non-contingent and unliquidated, or who,  
27 prior to the hearing on confirmation, has filed with the court a  
28 Proof of Claim which has not been disallowed or suspended prior to

1 computation of the votes on the Plan. The Ballot form which you  
2 receive does not constitute a Proof of Claim. If you are in any  
3 way uncertain whether or not your claim has been correctly  
4 scheduled, you should review the Debtor's schedules which are on  
5 file in the Bankruptcy Court. The clerk of the Bankruptcy Court  
6 will not provide this information by telephone.

7           3. Hearing on Confirmation of the Plan.

8           The Bankruptcy Court will set a hearing to determine whether  
9 the Plan has been accepted by the requisite number of creditors and  
10 interest holders and whether the other requirements of confirmation  
11 of the Plan have been satisfied. Each creditor and interest holder  
12 will receive, either with this Disclosure Statement or separately,  
13 the Bankruptcy Court's Notice of Hearing on Confirmation of the  
14 Plan.

15           4. Acceptance Necessary to Confirm Plan.

16           At the scheduled hearing, the Bankruptcy Court must determine,  
17 among other things, whether the Plan has been accepted by each  
18 impaired Class. Under bankruptcy code section 1125 an impaired  
19 Class is deemed to have accepted the Plan if at least two thirds in  
20 amount and more than one-half in number of the allowed claims or  
21 interest of Class members who have voted to accept or reject the  
22 Plan have voted for acceptance of the Plan. Further, unless there  
23 is unanimous acceptance of the Plan by an impaired Class, the  
24 Bankruptcy Court must also determine that under the Plan Class  
25 members will receive property of a value, as of the effective date  
26 of the Plan, that is not less than the amount that such Class  
27 members would receive or retain if the Debtor was liquidated under  
28 Chapter 7 of the Bankruptcy Code on the effective date of the Plan.

1                   5. Confirmation of the Plan Without Necessary  
2                                   Acceptance.

3           The Plan may be confirmed even if it is not accepted by one or  
4 all of the impaired Classes, if the Bankruptcy Court finds that the  
5 Plan does not discriminate unfairly against and is fair and  
6 equitable as to such Class or Classes.

7                                   II

8           A. DESCRIPTION OF DEBTOR AND HISTORICAL BACKGROUND.

9           Surinder Pal Sroa, native of India, and principle of the  
10 Debtor herein, started as a restaurant entrepreneur opening his  
11 first restaurant in 1998 and now operating four restaurants, 3  
12 Indian and one American. The income generated from the restaurant  
13 operations enabled Mr. Sroa to meet any negative cash flow  
14 encountered by the Debtor herein until mid-2008 when the economic  
15 environment began to change.

16           The apartment building, 355 Canal Street, was purchased by the  
17 Debtor in 2000. The building was in extremely poor condition.  
18 Over \$500,000 was required to get the building into a servicable  
19 condition. This was the initial foray of the Debtor and/or Mr.  
20 Sroa into apartments.

21           Mr. Sroa opened a home furnishing store in January, 2005.  
22 Debtor purchased the building in which the store operated at 854 4<sup>th</sup>  
23 Street, San Rafael. The business proved unprofitable and was  
24 closed in 2006. The building remained partially vacant, but equity  
25 contributions to maintain the mortgage payments were made.

26           In 2005, Mr. Sroa met Kirt Menon of Argentum Investments. Mr.  
27 Menon, a licensed financial advisor and real estate broker, had  
28 frequented one of the restaurants and engaged Mr. Sroa in

1 discussions as to how to expand the Debtor's property portfolio in  
2 then what was a rising market. In March, 2005, Mr. Menon sold to  
3 Mr. Sroa a property. Thereafter, the transactions with Mr. Menon  
4 caused Mr. Sroa and the Debtor a myriad of problems.

5 Menon misrepresented the property at 901 Lincoln which the  
6 Debtor purchased. The upper four units were unpermitted and there  
7 was no disclosure. The property at 714-716 4<sup>th</sup> Street was  
8 misrepresented and was impacted by dry rot and mold. Menon  
9 arranged a loan from his client, Elbert Branscomb, for the purpose  
10 of making renovations on the properties.

11 Beginning in 2008, property values began to plummet.  
12 Refinancing was not an option. Menon was arrested and convicted of  
13 crimes relating to his activities as a financial advisor and  
14 broker. Branscomb brought suit against Debtor based upon a note  
15 which is irregular in form and provides for \$600,000 despite the  
16 fact that only \$100,000 was loaned. Debtor contends that Menon  
17 concocted the form of the note to conceal his misdeeds in his  
18 management of funds on behalf of his client, Branscomb.

19 In September, 2009, Debtor purchased 807 Grant Street, Novato  
20 with private financing. The financing was refinanced with Redwood  
21 Credit Union in April, 2010 after an agreement had been made to pay  
22 \$5,000 per month on the Branscomb obligation until title and  
23 priority was resolved. The March check was cashed by Branscomb and  
24 immediately thereafter, Branscomb moved to take over 355 Canal and  
25 901 Lincoln. The Debtor endeavored to resolve the problem without  
26 use of Chapter 11 but was unable to do so.

27 The within case was filed to protect the assets of the Debtor  
28 and the interests of the creditors in the assets. Debtor has

1 obtained permission for the use of cash collateral and continues to  
2 segregate same and apply same only as authorized in the orders.  
3 Debtor proposes to surrender some of the assets in a manner which  
4 will protect the interests of all creditors and to retain only the  
5 properties which produce revenue in excess of the debt service to  
6 permit a dividend to unsecured creditors.

7 Liquidation of the assets of the estate would likely result in  
8 no distribution to unsecured creditors pursuant to the Liquidation  
9 Analysis prepared by the Debtor based upon opinion of the Debtor  
10 which is attached hereto as Exhibit A.

11 B. THE PLAN.

12 The Plan divides claims and interests into sixteen (16)  
13 classes. The classes consist of the following:

14 Class 1 Claims. Allowed claims entitled to priority  
15 pursuant to Section 507 of the Code.

16 Class 2 Claims. Allowed secured claims of the County of Marin  
17 based upon the secured tax roll and secured by real property  
18 located at:

- 19 a. 355 Canal St., San Rafael, CA;
- 20 b. 714-716 Fourth St., San Rafael, CA;
- 21 c. 854-860 Fourth St., San Rafael, CA;
- 22 d. 901 Lincoln St., San Rafael, CA;
- 23 e. 807 Grant St., Novato, CA; and
- 24 f. 809-813 Grant St., Novato, CA.

25 Class 3 Claims. Allowed secured claims of Circle Bank secured  
26 by real property located at 714-716 Fourth St., San Rafael, CA.

27 Class 4 Claims. Allowed secured claim of Marin Mortgage  
28 Bankers secured by real property located at 714-716 Fourth St., San

1 Rafael, CA.

2 Class 5 Claims. Allowed secured claims of Circle Bank secured  
3 by real property located at 809-813 Grant, Novato, CA.

4 Class 6 Claims. Allowed secured claims of Marin Mortgage  
5 Bankers secured by real property located at 809-813 Grant, Novato,  
6 CA.

7 Class 7 Claims. Allowed secured claim of Redwood Credit Union  
8 secured by real property located at 807 Grant, Novato, CA.

9 Class 8 Claims. Allowed secured claim of Margaret Enevold  
10 secured by real property located at 901 Lincoln St., San Rafael,  
11 CA.

12 Class 9 Claims. Allowed secured claim of Elbert Branscomb  
13 secured by real property located at 901 Lincoln St., San Rafael,  
14 CA.

15 Class 10 Claims. Allowed secured claim of JP Morgan Chase  
16 secured by real property located at 355 Canal St., San Rafael, CA.

17 Class 11 Claims. Allowed secured claim of Elbert Branscomb  
18 secured by real property located at 355 Canal St., San Rafael, CA.

19 Class 12 Claims. Allowed secured claim of Marin Mortgage  
20 Bankers secured by real property located at 355 Canal St., San  
21 Rafael, CA and cross collateralized by real property located at  
22 714-716 Fourth St., San Rafael, CA.

23 Class 13 Claims. Allowed secured claim of JP MorganChase  
24 secured by real property located at 854-864 Fourth St., San Rafael,  
25 CA.

26 Class 14 Claims. Allowed secured claim of Marin Mortgage  
27 Bankers secured by real property located at 854-864 Fourth St., San  
28 Rafael, CA.



1        Class 15 Claims.     Allowed claims of creditors other than  
2 those holding allowed Class 1 Claims, Class 2 Claims, Class 3  
3 Claims, Class 4 Claims, Class 5 Claims, Class 6 Claims, Class 7  
4 Claims, Class 8 Claims, Class 9 Claims, Class 10 Claims, Class 11  
5 Claims, Class 12 Claims, Class 13 Claims, Class 14 Claims, and  
6 Class 16 Interests, including, but not limited to, creditors whose  
7 claims may arise out of the rejection of executory contracts and  
8 secured creditors to the extent that the Court finds the same  
9 unsecured in whole or in part.

10       Class 16 Interests.   Allowed interests of the members of the  
11 Debtor herein.

12       The Plan treats the classes as follows:

13       Class 1 Claims are not impaired.   Holders of allowed Class 1  
14 Claims shall be paid in full on the effective date of the Plan.  
15 There are no known claims in this class.

16       Class 2 (a through d) Claims are impaired.   Holders of  
17 allowed Class 2 a through d Claims shall retain their liens in the  
18 collateral and may, upon the effective date, exercise such holders'  
19 rights in the collateral. No distribution will be made on account  
20 of such claims.

21       Class 2 (e and f) Claims are not impaired.   Holders of allowed  
22 Class 2e and f Claims shall be paid in cash and in full and on a  
23 current basis upon the effective date of the Plan. Class 2 a  
24 through d are impaired as provided herein.

25       Class 3 Claims are impaired.   Holders of allowed Class 3  
26 Claims shall retain the real property collateral to such holder in  
27 full satisfaction of the allowed claim. Such holder shall retain  
28 the lien securing said allowed claim and shall, on the effective

1 date, be entitled to enforce its rights to the real property  
2 collateral.

3 Class 4 Claims are impaired. Holders of allowed Class 4  
4 Claims shall retain the real property collateral to such holder in  
5 full satisfaction of the allowed claim. Such holder shall retain  
6 the lien securing said allowed claim and shall, on the effective  
7 date, be entitled to enforce its rights to the real property  
8 collateral.

9 Class 5 Claims are impaired. Holders of allowed Class 5  
10 Claims shall be paid the current payments under the terms of the  
11 existing note. The interest rate shall be modified to the market  
12 rate. Pre-confirmation defaults shall be cured by an additional  
13 monthly of a sum equal to 1/60th of the pre-confirmation arrearage.  
14 Such holders shall retain the liens in the collateral.

15 Class 6 Claims are impaired. Holders of allowed Class 6  
16 Claims shall be paid an amount equal to such holder's interest in  
17 the Debtors' interest in the collateral in monthly installments of  
18 principle and interest at a market rate calculated and payable on  
19 a 30 year amortization. Debtor shall have the right to pre-payment  
20 any portion of interest or principal without penalty. Such holder  
21 shall retain the security interest in the collateral.

22 Class 7 Claims are impaired. Holders of allowed Class 7  
23 Claims shall be paid the payments as provided in the note at the  
24 rate of interest as provided therein. Jyoti, Inc., an affiliate of  
25 the Debtor, may elect to sell or close the business which such  
26 affiliate operates on the real property collateral. Alternatively,  
27 Surinder Pal Sroa, may elect to sell the shares of Jyoti, Inc. as  
28 part of a personal restructure of assets and liabilities. Debtor

1 may lease the real property collateral to a third party in  
2 conjunction with the sale of the business or independently. Such  
3 holder shall retain its security interest in the collateral.

4 Class 8 Claims are impaired. Holders of allowed Class 8  
5 Claims shall retain the real property collateral to such holder in  
6 full satisfaction of the allowed claim. Such holder shall retain  
7 the lien securing said allowed claim and shall, on the effective  
8 date, be entitled to enforce its rights to the real property  
9 collateral.

10 Class 9 Claims are impaired. Holders of allowed Class 9  
11 Claims shall retain the real property collateral to such holder in  
12 full satisfaction of the allowed claim. Such holder shall retain  
13 the lien securing said allowed claim and shall, on the effective  
14 date, be entitled to enforce its rights to the real property  
15 collateral.

16 Class 10 Claims are impaired. Holders of allowed Class 10  
17 Claims shall retain the real property collateral to such holder in  
18 full satisfaction of the allowed claim. Such holder shall retain  
19 the lien securing said allowed claim and shall, on the effective  
20 date, be entitled to enforce its rights to the real property  
21 collateral.

22 Class 11 Claims are impaired. Holders of allowed Class 11  
23 Claims shall retain the real property collateral to such holder in  
24 full satisfaction of the allowed claim. Such holder shall retain  
25 the lien securing said allowed claim and shall, on the effective  
26 date, be entitled to enforce its rights to the real property  
27 collateral.

28 Class 12 Claims are impaired. Holders of allowed Class 12

1 Claims shall retain the real property collateral to such holder in  
2 full satisfaction of the allowed claim. Such holder shall retain  
3 the lien securing said allowed claim and shall, on the effective  
4 date, be entitled to enforce its rights to the real property  
5 collateral.

6 Class 13 Claims are impaired. Holders of allowed Class 13  
7 Claims shall retain the real property collateral to such holder in  
8 full satisfaction of the allowed claim. Such holder shall retain  
9 the lien securing said allowed claim and shall, on the effective  
10 date, be entitled to enforce its rights to the real property  
11 collateral.

12 Class 14 Claims are impaired. Holders of allowed Class 14  
13 Claims shall retain the real property collateral to such holder in  
14 full satisfaction of the allowed claim. Such holder shall retain  
15 the lien securing said allowed claim and shall, on the effective  
16 date, be entitled to enforce its rights to the real property  
17 collateral.

18 Class 15 Claims are impaired. Holders of allowed Class 15  
19 Claims shall be paid up to the amount of \$67,000 in seventy two  
20 equal monthly installments on a prorata basis. Distributions shall  
21 be made at intervals no less frequently than quarterly. Such  
22 payments shall commence on the effective date of the Plan.

23 Class 16 Interests are impaired. Holders of allowed Class 16  
24 Interests shall retain such interests subject to the terms and  
25 conditions of the Plan. Such holders shall contribute up to the  
26 sum of \$38,000 required for payment of expenses of administration  
27 and payment of Class 1 Claims and the initial installment on Class  
28 1, 2 e and f Claims as provided herein.

1 THE PLAN PROVIDES FOR THE MEANS OF EXECUTION AS FOLLOWS:

2 1. Debtors shall surrender the real property collateral to  
3 the following classes of creditors in full satisfaction of the  
4 Debtor's liability to the respective holders upon the effective  
5 date of the Plan:

- 6 a. Holders of Class 3 Claims;
- 7 b. Holders of Class 4 Claims;
- 8 c. Holders of Class 8 Claims;
- 9 d. Holders of Class 9 Claims;
- 10 e. Holders of Class 10 Claims;
- 11 f. Holders of Class 11 Claims;
- 12 g. Holders of Class 12 Claims;
- 13 h. Holders of Class 13 Claims; and
- 14 i. Holders of Class 14 Claims.

15 2. Debtor shall continue to collect the monthly rents from  
16 retained properties and apply same to expenses of operation and to  
17 the debt secured by the properties. Debtor may elect to apply  
18 excess revenue from one property to secured indebtedness on another  
19 property or unsecured indebtedness so long as not in default under  
20 the terms of the within Plan.

21 3. Debtor will place any defaulted secured real property  
22 taxes as described in Class 2 e and f on a five year payment plan  
23 with the County of Marin unless the property is sold or refinanced  
24 in which instance, such claims shall be paid on the closing date of  
25 such sale or refinance. Class 2 a through d Claims will not be  
26 placed on a five year plan and will not be paid by the reorganized  
27 Debtor.

28 4. Unsecured creditors shall be paid the aggregate sum of

1 \$67,000 in 18 quarterly installments. Debtor may elect to pay more  
2 or on more frequent intervals based upon cash available.  
3 Distributions to holders of allowed Class 15 Claims shall be paid  
4 on intervals no less frequent than quarterly. Debtors shall pay  
5 from excess rents, sale or refinance proceeds of any one or more of  
6 the properties, or additional cash contributions from Class 25  
7 Interests. Deposits into a disbursing account shall commence on  
8 the effective date of the Plan and shall be made monthly.

9 5. Pre-confirmation defaults as to Class 5 shall be cured by  
10 monthly payments equal to 1/60th of the arrearage paid each month  
11 to such holder.

12 6. Debtor shall commence payments to holders of allowed  
13 Class 6 Claims pursuant to the terms of the plan on the effective  
14 date of the Plan. Debtor's affiliate may sell the business  
15 operated on the real property collateral without acceleration or  
16 default. The share of Jyoti, Inc. may be sold or transferred  
17 without acceleration or default.

18 7. Debtor reserves the right to bring Motions pursuant to  
19 11 U.S.C. Section 506 to determine the value of the real property  
20 collateral. Such Motion(s) shall be brought within 90 days of the  
21 effective date of the Plan. The said limit shall be subject to  
22 extension by order of the Court upon motion by the Debtor.

23 8. All claims and causes of action against Elbert Branscomb,  
24 Kirt Menon, Elbert Branscomb, agents and attorneys, and Cal Land  
25 Title are specifically reserved.

26 9. No party shall take any action against the Debtor, its  
27 assets, or assets of the estate inconsistent with the terms of the  
28 within Plan.

10. The Debtor shall comply with post confirmation reporting requirements to the U.S. Trustee and payment of U.S. Trustee fees post confirmation until entry of Final Order as required by law. Nothing contained in the Plan shall impose or expand the requirements for reporting and payment of fees as set forth by statute and/or case law. In the event the case is converted to a case under Chapter 7, the assets shall revest in the Chapter 7 estate. Debtor shall be the disbursing agent absent appointment of another person or entity by the Court at the time of confirmation.

11. Debtor may object to claims as appropriate and all rights of counterclaim and setoff as to any party filing a claim against the estate are specifically reserved.

12. Debtor reserves the following claims/causes of action:

a. Kirt Menon. Claim for contribution, negligence, fraud, breach of fiduciary duty, breach of contract, avoidance pursuant to Section 544.

b. Elbert Branscomb. Claim for contribution, negligence, fraud, breach of fiduciary duty, breach of contract, avoidance pursuant to Section 544, determination of nature, extent and priority of liens.

c. JP Morgan Chase. Determination of priority of liens.

d. Cal Land Title. Breach of contract, fiduciary duty, fraud, conversion, slander of title.

e. Marin Mortgage Bankers. Nature, extent and priority of liens.

## IV

The assets and liabilities of the Debtor are set forth in the

1 Debtor's Schedules, on file with the Court. The Proponent believes  
2 that the terms of the Plan are feasible, and that it will be able  
3 to perform under the Plan. The Debtor requests confirmation of the  
4 Plan.

5  
6 Dated: 7/21/10

DAVID N. CHANDLER, p.c.

7  
8 By: /s/David N. Chandler  
9 DAVID N. CHANDLER  
10 Attorney for Debtor  
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LIQUIDATION ANALYSIS  
(Exhibit A)

<u>Asset</u>	<u>Value</u>	<u>Encumbrance</u>	<u>Net</u>
335 Canal St. San Rafael, CA	6,450,000*	6,420,086**	29,914*
714-716 Fourth St. San Rafael, CA	1,050,000	631,254**	418,746**
901 Lincoln St. San Rafael, CA	850,000	1,399,228	-0-
897 Grant St. Novato, CA	1,450,000	1,210,256	239,744
809, 811, 813 Grant St., Novato	1,270,000	1,272,232	-0-
Navjot v. Menon	Unknown	-0-	<u>Unknown</u>
Total			\$239,744

Expenses of Administration:

Chapter 11:

Attorneys fees	\$38,000
Accounting Exp.	10,000
OUST Fees	3,000
Brokerage Comm	87,000
Expenses of Sale	10,000
Secured Taxes	22,000

Chapter 7:

Trustee Fees	20,000
Attorneys Fees	25,000
Accounting Fees	<u>10,000</u>

<177,000>

Net Available for Distr.      \$62,744

$\frac{\$62,744}{561,820} = 11\%$       Estimated Chapter 7 dividend

\* Priority and extent of secured claims in dispute. Costs of litigation have been determined to be impractical.

\*\* Cross collateralized in favor of Marin Mortgage securing over \$1M.